



# The effect of customer relationship management and its significant relationship by customers' reactions in LG Company

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## Abstract

Abundant and diverse channels providing customers access to information and distribution of goods to choose a product competitive space, reduce their loyalty to the supplier. For this reason, the question of how to communicate effectively with customers and their survival, including the most important issues affecting the durability and stability of the company's competitiveness and profitability in them. The main objective of this study was to examine the relationship between customer relationship management and customer response among customers in Tehran LG Company. The method used in this study is a descriptive survey. Also, due to the potential application of the research results in the area of Tehran's research group. In this Survey we used questionnaire. In order to Analysis the validity of the survey instrument used structural equation modeling approach. After confirming the validity of the study is to Analysis the assumptions of regression. The analysis results showed that Internet service and customer response, brand development, and the customer support and response to price, brand development, brand preference, purchase castle and finally the reaction to price support and marketing, brand development, brand preference and intend to buy a significant relationship was observed.

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## 1. Introduction

In new world, possibility of production and lots products services causes increases the ratio of supplies to demands. Thus. Producers have no choice just to satisfy customers. Bazar and supply are not defined in limited instruments, more. Experiences showed that organization which pay more attention to customers, products, bazar,

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sell, buy, competition, advertisement, quality, .. wouldn't be successful and would lose their funds too. With the emergence of competitive economic, customer-center and customer satisfaction concepts has been the base of the base of work and organizations that haven't pay attention to these concept and will omit from bazar (Tavalai, 2008). Relationship marketing is following creating relationship with targeted customers to motivate them to buy from that organization in future again, and motivates others to buy, too. The best approach of keeping customers is highly satisfied them and paying attention to their values. As the result customers will be loyal to that company. Customer relationship with management is due to give more value to customer and achieving tangible and intangible benefits in this relationship an customer relationship management is being a competitive advantage. Today customers are along with organizations' members in good productions, and give services and competitive skills, and capability. Therefore, effective management in relationship with customers and creating and giving values to them is the most important subject that is interested by researchers and organization managers. According to customer viewpoint, bazar's productions are not so different from each other. Thus, if one brand of a production is not in hand, the other brand will be substituted by customers, which shows the lack of customer loyalty. Price competition lost its positions and market-oriented organizations, concentrated on new instruments and customer-center in marketing to keep and improve customers' loyalty instead of competition on cost. This study investigates on the research project in the framework of statement of problem, significant of the study, question goals, and key words.

## 2. Statement of problems

Customer's access to lots of information about products and their distributions for choosing one products in the competitive atmosphere causes lack of customers' loyalty toward producers of them. Therefore, having effective relationship with customers and saving them, is the most effective concept in being permanent and profitable companies (Feizi, 2008). Heavy investment of different agencies has been on customers' relationship management. However, various records shows that its performance has high risk. As Gartner recorded that success in this plans is less than 30% and justifying the cost is hard, too (Rigbee et al, 2002). Indeed, the effect of customer relationship management in different areas especially in service dimension is inevitable and cannot be ignored because of its high risk. Since the importance of using customer relationship management in public sector, which is the main competitive instrument and get permanent advance in competitions in most of countries, it is important to plan and edit mechanism to decrease risks and simplifies its management. As the researchers concluded that of the main reason of the customer relation management failure is the lack of appropriate instrument and criteria to evaluate relationship with customers (Kruter, 2003). Like the other concept, if this organizational concept can't be evaluated, it can't be managed, too. Therefore, it is important to have comprehensive instruments to systematically evaluate customer relationship management (Leken, 2002). As the importance of customer-center in marketing, the main loss is lack of effective permanent relationship with customers.

On the other hand, in past customers expected producers to deliver on time, high quality, cheap products and services. Commercial is relation-based. Distribution chains are powerful. As distributing of products was wide, the main competition was keeping services and developing products to customers and simplifying customers buying, instead of keeping the relationship with customers. But today, organizations are in complicated and dynamic environment and competition among organization is increased, products' life is decrease and organizations come to decline. In many cases produces productions have the same qualities and customers decide what to buy (Kotler & Armstrong 2011) customer-center is reveal by prioritize allocation resources on providing the higher value and customers' satisfaction (Naroor & Slater, 1990). There are various definitions for customer-center. Naroor and Slater called customer-center as enough comprehending of customers' purposes to provide higher a continuous values (Haman, 1990). In other word, they found customer-center as an organization cultures that provided higher values for consumers by the most effective and creative a necessary behaviors. Vashpend et al (1993) defined customer-center as collection of beliefs that prefers customers' needs and interests and pay attentions to customers benefits instead of other beneficiaries such as organization owner, managers and staff. One of the aspect of organizations customer-center is companies attention to customers' responses and reactions. Today's customer-center and their reaction and satisfaction to companies products and services consider with customer relationship management. The more customer relation management, the more customer relation is considered. Today's Iranian companies' organizations don't pay attention to customers' reactions. In other word, most of sellers purpose is just

selling and they don't consider customers' 'satisfactions. One of the problems in appliance industry is investigating customers r reaction .Since high competition atmosphere is in different business techniques, companies search for the approach to be customer-center .That means; they want to behave in the way to keep customers, and to have a long relationship with customers. Appliance industries are not exceptional and they concern about keeping their customers .therefore this study investigates the customer relationship management and customer s' reactions among LG appliance industries companies in Tehran .In fact , the effect of customers relationship management on customers' reaction is investigated .WE want to know that whether customers relationship management can improve customers'' reactions? Therefore ,Internet service ,customers support and marketing support dimensions re used to evaluate customers relationship management(Wu&Luwu ,2012) .we used price sensitivity ,bran preference ,buying intention, and developing brand to evaluate customers reaction(Billet al,2013. Thus, the main question of this research is this: what is the relationship between customer relationship management and customers' reactions in Tehran convince?

**3. Background**

Wu and Luwu (2012) investigated the relationship between customer's relationship management and marketing and commercial performance. The population was hotel industries in Taiwan. The result showed that customers relationship management had a significant and positive effect on marketing and commercial performance in hotel industries in Taiwan .Thus ,researchers suggested that companies had better preference before customer relationship management performance when they knew the exact benefit of that .

Shahosseini et al (2011) studied the relationship between the update special value and the service on customers buying behaviors. This study investigated the relationship between special values of brand services and their components and customers buying behaviors in Ansar Bank. The result showed the effect on customers buying .This variable was not related to internal perception. Furthermore, variables such as internal reaction and loyal perception and long term buying of customers' were important .Internal reaction is due to customers'' internal perception and don't have direct effect on special values of brand services .

Dotur&Halmajan(2011) studied the role of organizations preparation on customers relationship management and commercial performance.This research was done with 82 companies in Romania. The result showed that organization had to highly prepare to perform customer relationship management. Moreover, customer relationship management has significant relationship with customers and commercial performance.

**4. Conceptual model**

The conceptual model of this study is illustrated according to theory in Fig 1.

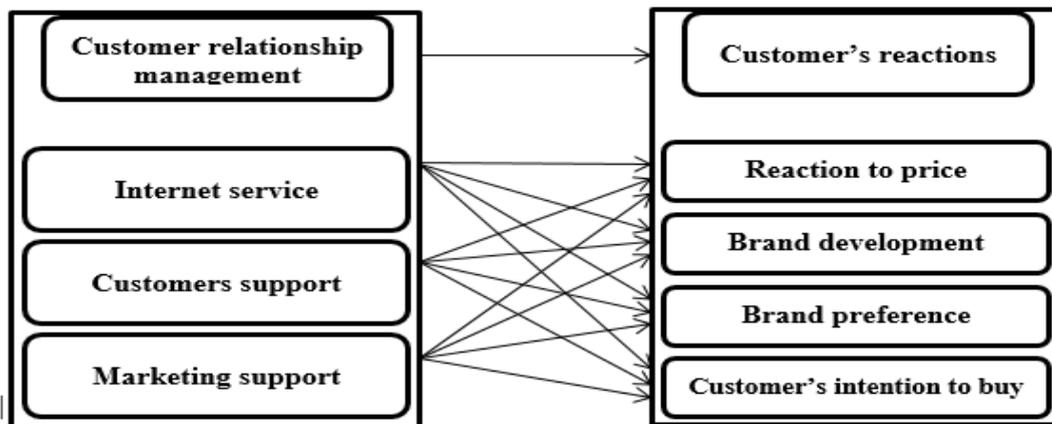


Fig .1. Conceptual model. Source (WU &Luwu et al 2012)

## 5. Research Hypothesis

The main hypothesis:

- Customers' relationship has a significant effect on customers' reaction

### 5.1. Sub-Hypotheses

- There is a significant relationship between customers relationship management (internet service dimension) and customers tendency toward reaction to the cost.
- There is a significant relationship between customers relationship management ( internet service dimension ) and customers tendency toward developing the brand
- There is a significant relationship between customers relationship management (Internet service dimension) and consumers brand preference.
- There is a significant relationship between customers relationship management ( internet service dimension) and customers buying purpose
- There is a significant relationship between the customer relationship management (customers dimension) and customers tendency toward price reaction.
- There is a significant relationship between customers relationship management (customers support dimension) and customers' tendency toward brand development .
- There is a significant relationship between customers relationship management ( customers support dimension) and customers' brand preferences
- There is a significant relationship between customers relationship management (customers support dimension) and customers buying intentions.
- There is a significant relationship between customers relationship management (Marketing support dimension) and customers tendency toward price reactions.
- There is a significant relationship between the customer relationship management (marketing support dimension) and customers tendency toward brand development.
- There is a significant relationship between customers relationship management ( marketing support dimension ) and customers brand preference.
- There is a significant relationship between customers relationship management (marketing support dimension) and customers buying intention.
- Costumers' reactions to LG appliance industries is evaluated at the average.

## 6. Research Methodology

The method of this research is descriptive. The result of this study can be applied in Tehran province, and this study is applied research, too. In this research ,data are gather through this ways : using library method to gather necessary information ,theories and especially in university library. And, using standard questionnaire to gather statistical data for this research. Statistical inferences are used in this study .descriptive statistics showed measurements and inferential statistics judged about population on the base of the result to reach the total result. The instrument was Cronbach's Alpha test, mean test , and finally Amos Software and RMSEA ,GFI ,CR exams and etc. are used to process this model . Furthermore, SPSS, AMOS soft wares are used in this research, too. The population is all the LG companies' customers in Tehran. The sample is selected simply .the Reliability and the validity are calculated by Cronbach's Alpha and the mean, the variance are calculated, too. The questionnaire features, the reliability are gathered in table 1:

Table 1 .research instrument features.

Reliability accepted/rejected	Cronbachs' Alpha	variables
accepted	0,748	Customers relationship management
accepted	0,845	Customers reactions

The acceptance of the measurement model, each model, design and hidden variables relationship (which are research hypothesis) are investigated(Fig 2).Then make sure about the processing indexes and the relationship between hidden variables are investigated, too..

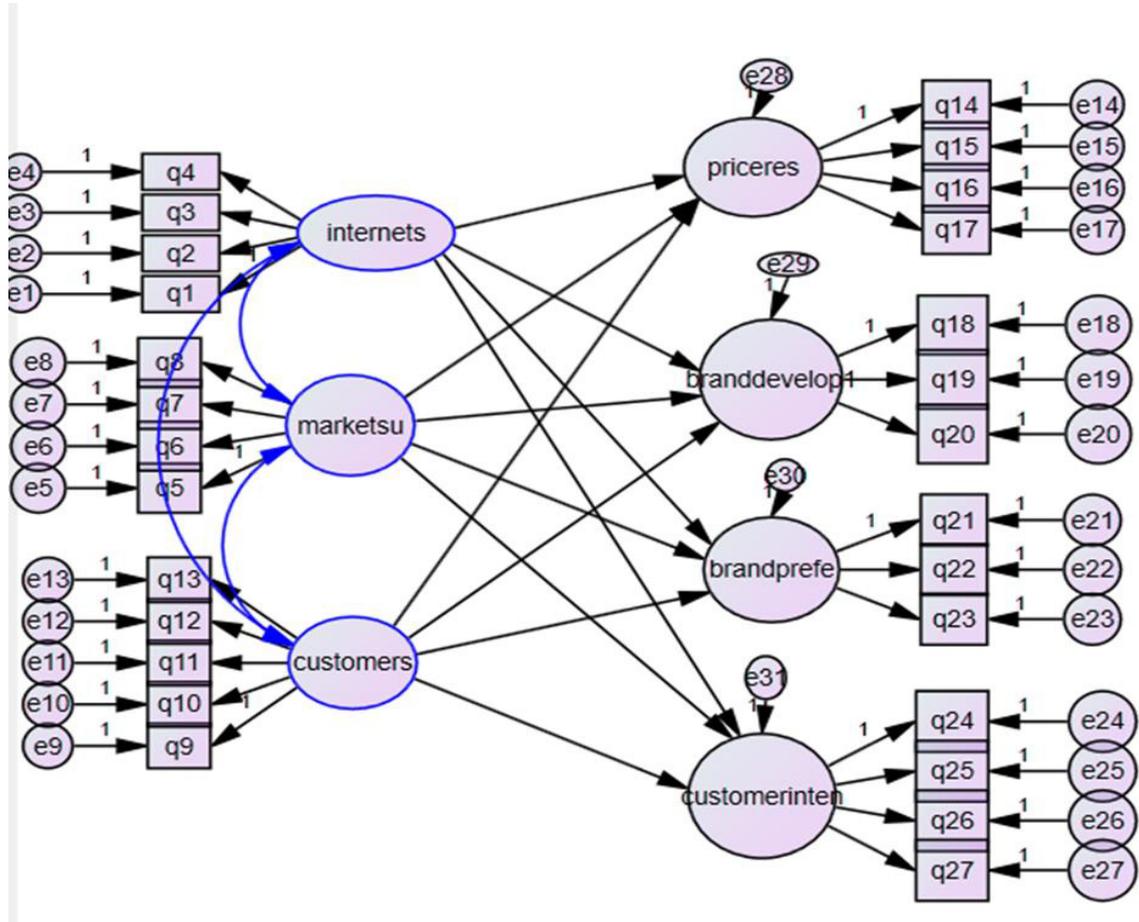


Fig 2- structural equation modeling study

And then processing index model is evaluated.(Table 2)

Table 2.index processing model structure

Statues	The value	index
Accepted	1.38	CMIN/df
accepted	0.061	RMSEA

According to the last table, all the indexes are accepted by evaluating processing model. According to this, it concluded that the processing model is accepted. In this table K is calculated less than 3, and square root is less than .08. Both of these showed the accepted processing on these models.

In Table 3 regression is illustrated, that indicates the effect and significant of components .

Table 3. The research component regression coefficient (Hypothesis testing)

Result	Significant	Regression	On the component	The effect of component	Hypothesis
Accepted	3.24	0.24	Reaction to buy	Internet service dimension	1
Accepted	4.89	0.48	Brand development	Internet service dimension	2
Rejected	1.12	0.04	Brand preference	Internet service dimension	3
Rejected	1.02	0.09	Intention to buy	Internet service dimension	4
Accepted	2.35	0.24	Reaction to price	Customers support dimension	5
Accepted	9.45	0.87	Brand development	Customers support dimension	6
Accepted	7.45	0.74	Brand preference	Customers support dimension	7
Accepted	0.258	0.001	Intention to buy	Customers support dimension	8
Accepted	0.489	0.65	Reaction to price	Marketing support dimension	9
Accepted	0.496	0.49	Brand development	Marketing support dimension	10
Accepted	0.654	0.55	Brand preference	Marketing support dimension	11
accepted	0.756	0.84	Intention to buy	Marketing support dimension	12

H1: the result of relationship between Internet service dimension and reaction to cost .

In this relationship  $P=0$  and less than .05. Therefore, the relationship is accepted. Furthermore, regression is .24 , which shows the high –average and direct relationship . In other word, when the independent variable increases the dependent variable increases, too. It can say that independent variable is the predictor variable.

H2: the result of this investigation shows the relationship between Internet service dimension and brand development.

In this relation  $P=0$  and less than .05. Thus, this relationship is accepted. The Standard regression is .48 that illustrated the high –average and direct relationship. Therefore, the increase in independent variable causes the increase in dependent variable, and the independent variable is the predictor variable.

H3: the result of this investigation shows the relationship between Internet service dimension and brand preference.

Here  $P=.45$  and higher than  $.05$ . Therefore, this relationship is rejected.

H4: the result of this investigation shows the relationship between service dimension and buying purpose.

In this relationship  $P=.425$  and more than  $.05$ . Therefore, this relationship is not accepted.

H5: the result of this investigation shows the relationship between customers' support dimension and the reaction to price.

In this relationship  $P=0$  and less than  $.05$ . therefore, the relationship is accepted. Standard regression is  $.24$ , which illustrated the high average and direct relationship  $p$ . Therefore; the increase in independent variable causes the increase in dependent variable. And it concluded that independent variable in this table is predictor variable.

H6: the result of this investigation shows the relationship between customers support dimension and brand development.

In this relationship  $P=0$  and less than  $0.05$  and this relationship is accepted. The standard regression is  $.87$  and showed high average and direct relationship. Therefore, the increase in independent variable causes the increase in dependent variable, and it can say that independent variable is the predictor variable.

H7: the result of this investigation shows the relationship between customers support dimension and brand preference. In this relationship  $P=0$  and less than  $.05$ . Therefore the relationship is accepted and standard regression is  $.74$  which showed the high average and direct relationship.

H8: the result of investigating shows the relationship between customers support and buying intention.

In this relationship  $P=.142$  and more than  $.05$ . Therefore it rejected.

H9: the result of this investigation shows the relationship between marketing support dimension and reaction to price.

In this relationship  $p=0$  and less than  $.05$ . thus the relationship is accepted. Standard regression is  $.65$  and showed high average and direct relationship. Thus the increase in independent variable cause the increase in dependent variable. The independent variable is the predictor variable in the table.

H10: the result of this investigation shows the relationship between marketing support dimension and brand development

In this relation  $P=0$  and less than  $.05$ . Thus the relationship is accepted and standard regression is  $.49$ , which shows the high average and direct relationship. The increase in independent variable causes the increase in dependent variable. And it can concluded that independent variable is the predictor variable in the table.

H11: the result of investigations shows the relationship between marketing support and brand preference

I this relationship  $P=0$  and less than  $.05$ . Thus the relationship is accepted. The standard regression is  $.55$  and it shows the high average and direct relationship. the increase in independent variable causes the increase in dependent variable. and it can concluded that independent variable is the predictor variable in the table.

H12 : the result of this investigation shows the relationship between marketing support dimension and buying intention.

In this relationship  $P=0$  and less than  $.05$ . Thus the relationship is accepted. The standard regression is  $.84$  and it shows the high average and direct relationship. The increase in independent variable causes the increase in dependent variable. And it can concluded that independent variable is the predictor variable in the table.

## 7. Conclusion and results

This study tried to evaluate customers relationship management with Internet service performance, customers support performance, and marketing performance .the result was the same as the other researcher (Wu & Luwu , 2012).

In research hypothesis the significant relationship between Internet service and reaction to price was concluded .it concluded that improving Internet service in the company can improve reaction to price .in this research hypothesis, the relationship between Internet service and reaction to price was significant thus. the increase in reaction to price can improve Internet service .

Research hypothesis study illustrated the meaning full relationship between Internet service and brand development .thus, Internet service improving may increase the service quality. Research hypothesis study identified the significant relationship between customers support and reaction to price .Therefore,there is a significant

relationship between customers support and reaction to price .therefore improving the company's customer support and customer –center , will increase the reaction to price .

Research hypothesis study showed the significant relationship between customers' support and brand development. improving the company's customers support and customer –center will increase the brand development .

Research hypothesis study showed that significant relationship between customers' support and the brand preference. There is a meaningful relationship between customers support and the brand preference. Thus, improving customers' support and customer- center will increase the brand preference.

Research hypothesis showed the significant relationship between customers support and intention to buy. There is a meaningful relationship between customers support and intention to buy. Thus, improving the company's customers support and customer –center will increase intention to buy.

Research hypothesis showed the significant relationship between marketing support and reaction to price . There is a meaningful relationship between marketing and reaction to price .Thus , improving marketing support will control customers' reaction to price .

Research hypothesis showed there is a significant relationship between marketing support and brand development. There is a meaningful relationship between marketing support and brand development. Thus, improving marketing support will control brand development.

Sing electronic service can decrease supporting price and increases fast reaction of employee and companies. Furthermore , lots of works can be done with Internet.

Sing new method and approaches in marketing can develop selling and companies marketing performance. It necessary to use marketing sales promotion to increase customers 'positive attitudes toward brand s, organizations ,brand awareness and brand background image . Marketing reaction is suggested to increase the level of trust and affective commitment and customers' satisfaction. In this way, companies motivate customers to ask questions, express their complains and comments, after getting service from them .

Appropriate and useful advertisement can improve customers' attitude toward the organization, the brand, brand awareness, and brand background image to provide better price ,quality and comfort for customers .

Activities such as endurance in customers' mind by using visual elements such as Logo, ....,will improve customers unconscious evaluation attitude toward the company's name .

Improving and keeping positive attitude toward the company to differentiate the company's products and services from other companies increases special value of that brand. Customers briefing programs about the profitability and efficiency of that company's services can be effective.

It's important that companies use brand and marketing professions to create a strong background in customers' mid .

The background picture can make one company victorious, because this background picture associates some concepts in their minds at once, and help them to select that brand as they want to buy a product.

The company needs more effort to have more individual relationship with customers to motivate them to buy not with habits or lack of tendency. Therefore, hyperactive marketing is recommended. Indeed, the companies call periodically t customers to increase customers' loyalty to the company.

It suggested that the investigated company focused on after sale services , daily customers feedback such as suggestions , complains to provide customers recommendation to friends , families and colleagues in order to increase their loyalty to that company. For example, by filling out customers profile form, companies send a sms or Email or post cards in customers birthdays'.

It suggested that companies with high bureaucracy, delete necessities elements to thrift customers' time and improve their service satisfaction. It suggested that companies make forum meetings with financial agencies contract to decrease interest in order to decrease the price .in this way , they can improve customers satisfaction of companies services.

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